

THE DEPARTMENT OF ENVIRONMENTAL QUALITY

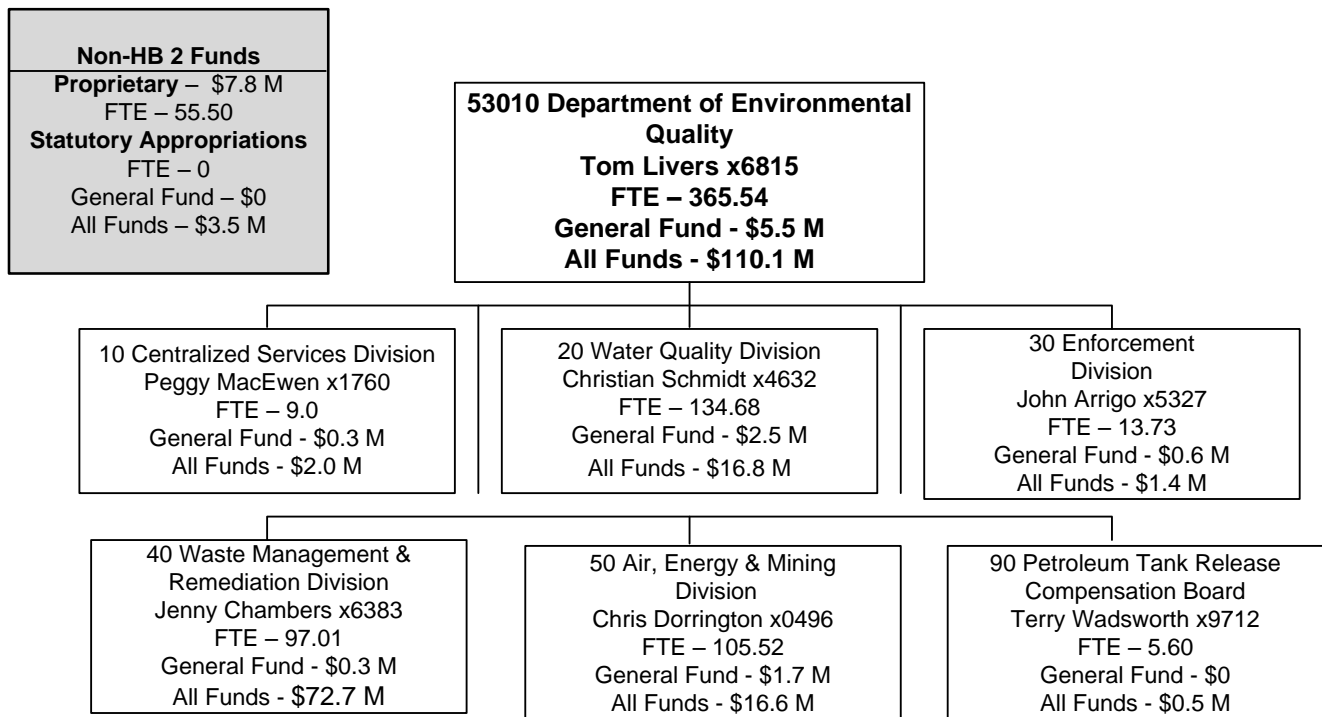
An Agency Profile Prepared by the
Legislative Fiscal Division

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INTRODUCTION

The Department of Environmental Quality (DEQ) is responsible for regulating air, water, and ground resources to administer Montana's environmental and mine reclamation laws. DEQ works in partnership with the federal Environmental Protection Agency (EPA), Department of Energy, and Office of Surface Mining, Reclamation, and Enforcement (OSM). EPA and OSM have delegated authority and responsibility for particular environmental areas to DEQ. The EPA state-federal cooperative agreement provides federal resources to DEQ but also directs much of the agency activity.

Below is an organizational chart of DEQ, including full-time equivalent (FTE) numbers and the HB 2 base general fund appropriations and the total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



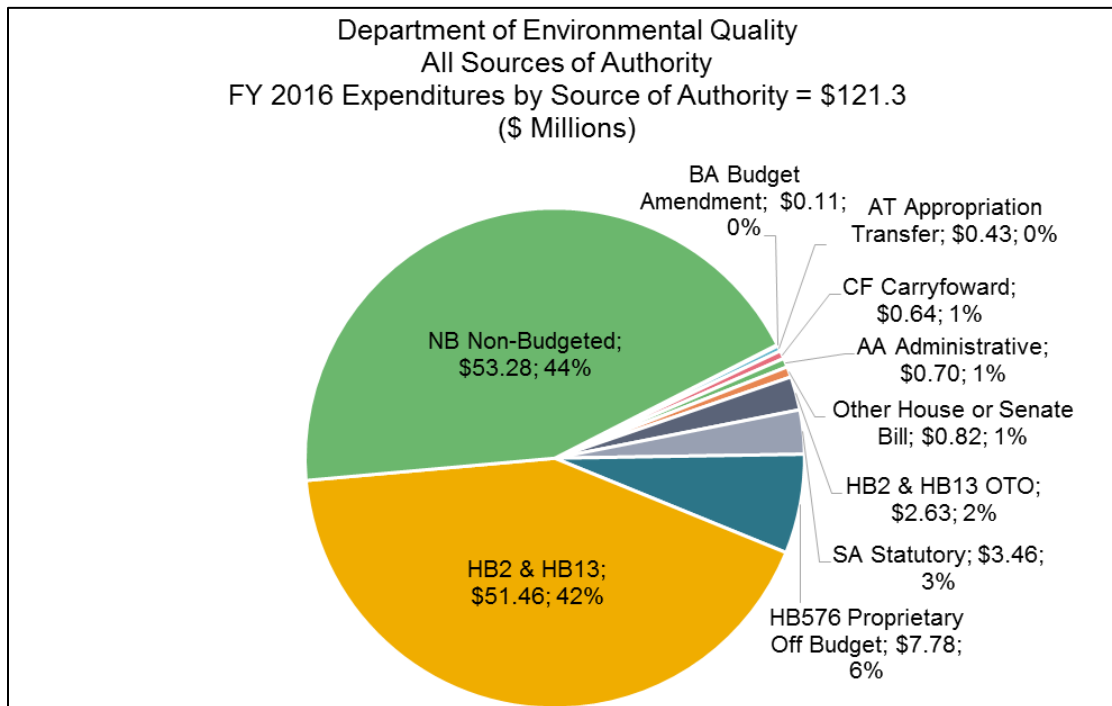
HOW SERVICES ARE PROVIDED

Five divisions form DEQ and perform the following functions:

- The Central Management Program provides managerial and administrative support services to the entire department
- The Water Quality Division oversees issues of water quality within Montana including permitting, the development of water quality plans, encouraging the use of new practices, and providing assistance
- The Enforcement Division investigates possible violations of Montana environmental laws and monitors compliance
- The Waste Management & Remediation Division manages the waste processing, investigates environmentally contaminated sites, and directs clean up efforts
- The Air, Energy & Mining Division reviews and assesses permit and license applications impacting air and land environmental quality and provides information on energy production, conservation and renewable opportunities

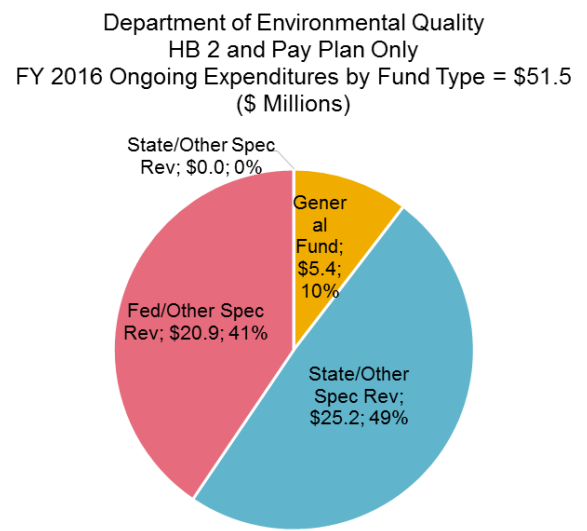
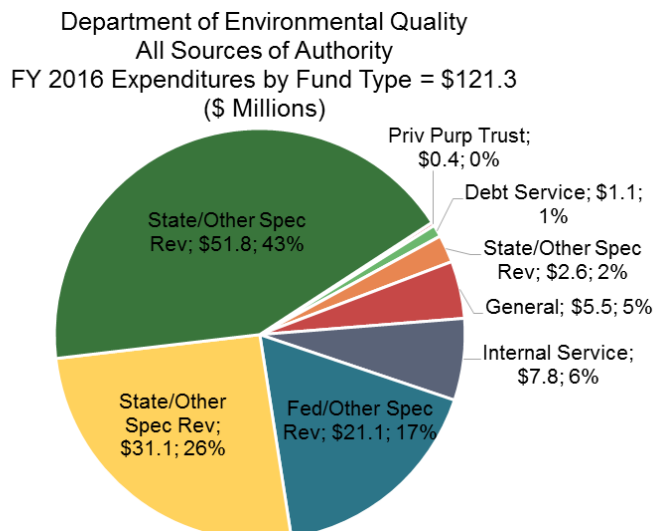
In addition, although it is not attached to DEQ by law, the Petroleum Tank Release Compensation Board is functionally supported by DEQ. The board provides procedures and resources for reimbursement of expenditures for cleanup of petroleum tank leaks.

SOURCES OF SPENDING AUTHORITY



The above chart shows the sources of authority for DEQ that were expended in FY 2016.

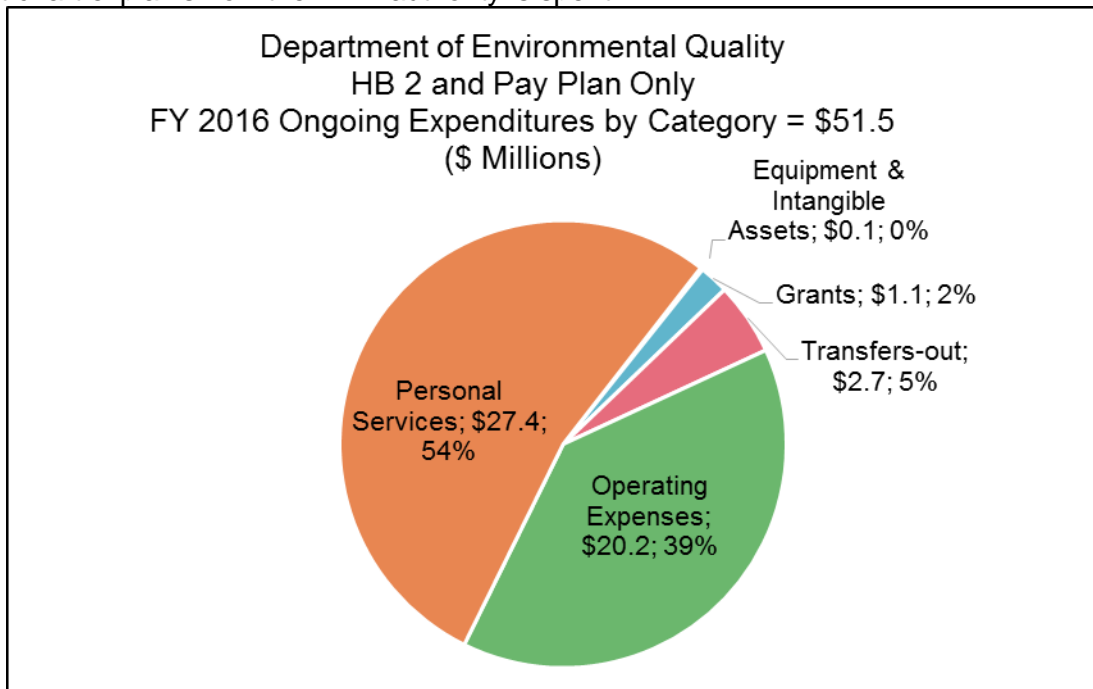
FUNDING



The chart on the left shows DEQ's and sources of its total funding authority. The chart on the right shows the agency's HB2 and pay plan funding authority by fund type.

EXPENDITURES

The next chart explains how the HB 2 authority is spent.



HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

In order to change DEQ expenditure levels and/or activity, the legislature must address one or more of the following basic elements that drive most department costs.

Licensing

DEQ provides processes to license a number of environmentally related occupations. To influence DEQ activities in this area, the legislature could change:

- the occupations that need to be licensed
- the guidelines for licensing a particular occupation or category of occupations
- the fees for licensing activities
- the disposition of licensing fees for a specific activities or programs
- the re-application intervals for licenses

Permitting

DEQ permits such activities as building waste management facilities, emitting pollutants into air and water, and strip mining activities. To influence DEQ activities in this area, the legislature could change:

- the types of environmental activities that require permitting to protect the environment
- the general guidelines for the permitting process
- the length of time for a valid permit
- the fees for permitting activities
- which fees support specific activities or programs

Monitoring

As a regulatory agency, the department is constantly monitoring activities that could impact the environment as well as air and water quality. To influence agency activities in this area, the legislature could change:

- the amount of monitoring deemed sufficient
- the intervals of monitoring for reclamation and cleanup activities

- the priorities for monitoring activities
- the scope of monitoring activities

Staffing Levels

Common to all agencies, any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Personal service costs will be a primary driver of total department costs. Factors that impact personal service costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

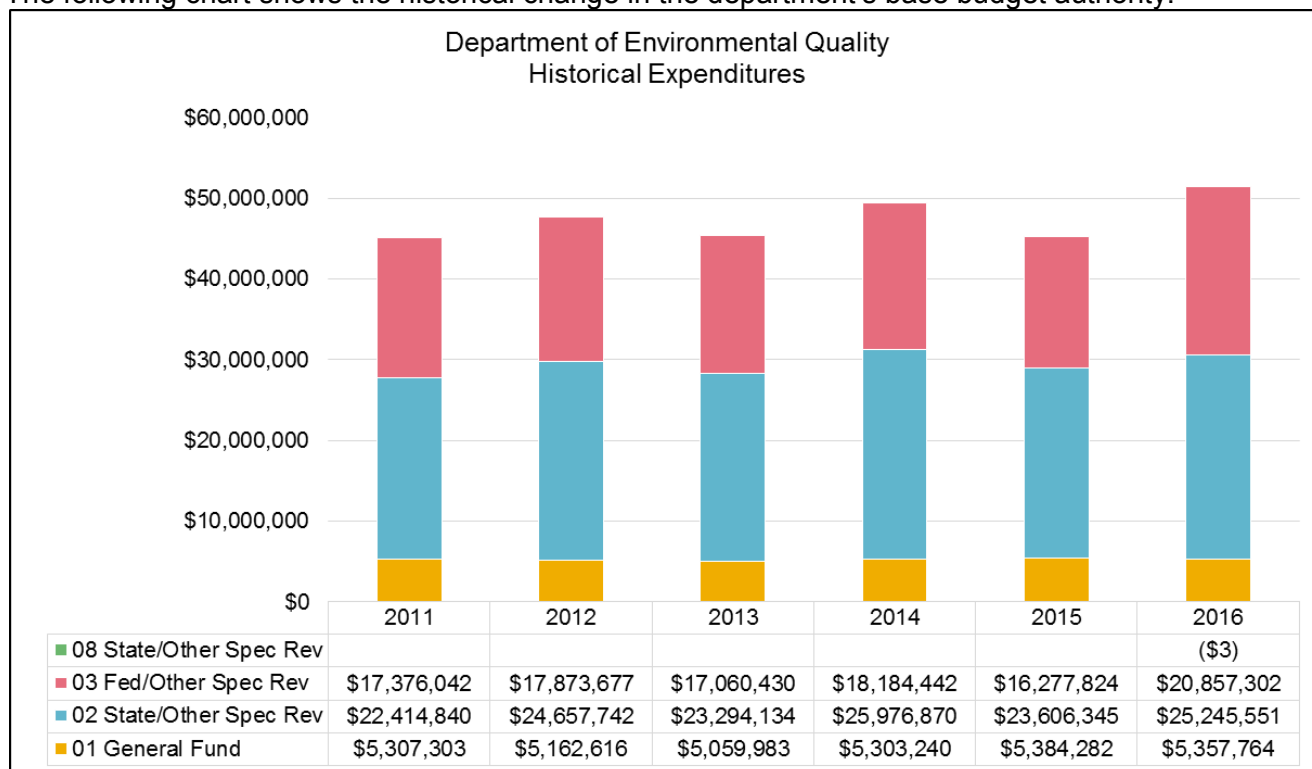
MAJOR COST DRIVERS

DEQ is heavily dependent on the economic conditions in Montana. A growing economy means more development. This trend translates to more subdivisions, gravel pits, mining, and related permits, which in turn can create more possible investigations.

DEQ has a large percentage of its budget devoted to fixed costs, including personal services. To impact these costs, the legislature would need to change statute.

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

The following chart shows the historical change in the department's base budget authority.



MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2015 Session

- SB 96 expanded possible uses for the Orphan Share fund to allow for more proactive action on the part of the Department of Environmental Quality.

2009 Session

- HB 645 provided one-time federal spending authority for \$23.9 million for the state energy building program, approximately \$20 million for wastewater and drinking water infrastructure improvements through the State Revolving Fund, \$7.6 million in energy efficiency grants for local governments, and other miscellaneous funding for public works projects associated with federal recovery act projects.

2007 Session

- HB 116 revised the distribution of resource indemnity trust interest and resource indemnity groundwater assessments, clarified use of resource indemnity related funds, and prioritized expenditures to on-the-ground projects. This legislation impact the department through increases in revenues to the orphan share and the environmental quality protection fund.